

What is the Exceptional Circumstances Assessment Process?

Under the process agreed to by the Australian, State and Territory Governments, communities or industries are expected to initiate the process for developing an application for an EC declaration. The application process involves two steps.

1. The community or industry body raises its concerns with the relevant State or Territory Government, which will assess the case for supporting an application for an EC declaration for that region or industry.
2. The State or Territory Government examines the situation against the criteria. If the State or Territory Government believes an application is justifiable, it will work with the region or industry body to develop an application. This is then forwarded formally to the Australian Government Minister for Agriculture, Fisheries and Forestry.

It is the responsibility of communities, industries and the State or Territory Government to establish a case for an EC declaration on the basis of objective evidence, and to set appropriate boundaries for the application area.

The State and Territory Governments are usually responsible for producing applications, collecting and collating the necessary information and data. The State and Territory Governments can also provide additional information available from their own Departments and agencies.

Farm case studies or surveys have proved to be a very useful way to collect information when they accompany data that is representative of the region or industry as a whole. Although it is the responsibility of the State and Territory Governments to lodge applications, NRAC will automatically assess whether an extension of an EC declaration is warranted in the six months prior to the EC declaration ceasing. If it is demonstrated that the majority of farmers in the EC area have not had an opportunity to recover from the EC event, EC assistance may be extended for a further period as determined by the Australian Government Minister for Agriculture, Fisheries and Forestry.

What happens when an Exceptional Circumstances application is received?

The Minister for Agriculture, Fisheries and Forestry may refer an EC application to NRAC for assessment against the agreed criteria. The Minister may also seek advice from the Department of Agriculture, Fisheries and Forestry on the merits of *prima facie* assistance.

NRAC conducts a comprehensive assessment of the application against the EC criteria, which may include an on-ground site inspection. On completion of its assessment, NRAC presents its recommendation on whether EC assistance is warranted to the Minister for Agriculture, Fisheries and Forestry.

The information used by NRAC in assessing applications is gathered from a number of sources including:

- State and Territory Agriculture Departments;
- industry bodies;
- individual farmers;
- the Bureau of Meteorology;
- the Australian Bureau of Agriculture and Resource Economics (ABARE); and

- the Bureau of Rural Sciences (BRS).

It is the Minister's responsibility to consult with the Australian Government prior to agreeing to NRAC's recommendations and declaring EC.

What are the Criteria for Exceptional Circumstances?

Applications for EC declarations are assessed on the basis of specific criteria. There are three key indicators that are used in the assessment of applications.

1. The event must be rare and severe

A **rare** event is one that occurs on average *once in every 20 to 25 years*.

A **rare** event is **severe** if it is of a significant scale. It must also affect a significant proportion of farm businesses in the application area or industry to warrant Government intervention. This is measured by assessing the impact on industries, the number of farmers, the size of the application area and the overall value of production.

Applications may demonstrate that several factors have combined to form an event (e.g. a year of drought combined with severe or abnormal frosts).

Applications must provide evidence of the following in relation to the event:

- that it is, on average, a *one in 20 to 25 year* occurrence;
- that it has had a sustained and severe adverse affect on income levels (lasting for more than 12 months);
- a description of the meteorological, agronomic and environmental conditions arising from the event;
- the location of the affected area;
- the timing and duration;
- the impacts on crop production, stock returns, water supplies and farm viability;
- the scale – impact on (for example) the different industries, the number of farmers, the size of the region, the value of production; and
- any other relevant material.

The Australian Government has access to scientific information to assess the rarity and severity of an event. BRS provides analysis of the event itself and the impact it has or will have on production in the area. Detailed information should also be included in the application by the State or Territory Government.

2. The effects of the event must result in a rare and severe downturn in farm income over a prolonged period

Eligibility for EC assistance arises when a **rare** and **severe** event is linked to a **rare** and **severe** downturn in income that cannot be managed by farmers as part of their normal risk management processes. The impact should typically extend beyond 12 months, as it is reasonable to expect the majority of farmers to manage one year of difficult seasonal conditions.

In assessing the impact on incomes, the Australian Government accesses general information collected by its economists and statisticians, in particular, from ABARE. Information from ABARE includes the financial position of farmers before the event, as well as analysis of the impact of the event on production and income. Detailed information should also be included in the application by the State or Territory Government.

Applications should provide supporting evidence that demonstrates that the downturn in income is rare (e.g. the result of on average a one in 20 to 25 year event). This evidence should include:

- any information that will provide a historical comparison (e.g. production and yield information);
- any available information on the *average cash income levels* of farms in the application area, separating out cash receipts and cash outlays, and highlighting the impact of any forced sale of livestock;
- impacts on crop production, stock returns, and farm viability compared with historical trends;
- the *forecast* impact of the event on crop production, stock returns, and farm viability compared with historical trends;
- *average debt levels* for the application area and the forecast effect of the event on these, and
- any other financial information that will assist in the assessment of the application (e.g. costs of production).

Where absolute figures are not available, verifiable data indicating the change in these measures over time may suffice.

3. The event must not be predictable or part of a process of structural adjustment

The rural sector has evolved considerably over time and it will continue to experience change in the future. Structural adjustment is about managing these changes, and the evolution of Australian agricultural practices.

The provision of EC assistance is not intended to interfere with, or impede, ongoing and necessary structural adjustment. Consequently, EC assistance is not available to farmers whose problems have arisen because of the fundamental need for structural adjustment. EC assistance is also not provided for foreseeable change, for example, policy changes that might affect an industry and which farmers could have known about for some time. Applications should provide evidence that:

- the event is a discrete event;
- the downturn in income is not part of longer-term change (e.g. part of a long-term downturn in commodity prices);
- the downturn in income is not fundamentally driven by structural adjustments issues; And
- the changed circumstances were not foreseeable and could not be managed through normal risk management strategies available to farmers.

If there is insufficient information to develop a case for EC assistance, the chances of an application's success are reduced. However, NRAC has extensive experience in assessing applications and will use its expertise to form a recommendation to the Minister based on the merits of the application.